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Virginia

FARMERS HOME ADMINISTRATION

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FOREWORD

This publication is designed to give a brief background report of and to summarize the role of the Farmers Home Administration in serving family farmers and rural residents through a modern system of supervised credit.

It will show how programs started in an earlier era to meet different conditions have been redirected to do a modern-day job. Much has been done. Much more remains to be done in the job of moving the community, state, and nation forward to a better and more enjoyable life for all Americans.

This material will be helpful to state and county committeemen in analyzing the program potential and needs within their assigned areas.

Introduction

Economic progress in any nation is greatly influenced by its agriculture. A healthy agriculture should produce basic foods and raw materials needed for domestic consumption and frequently for exports. It should provide employment profitable enough to enable farm people to enjoy living standards comparable with other groups in the population. To accomplish this, most countries must increase its land productivity and efficiency of agricultural workers.

This means new tools, seeds, fertilizers, better livestock, buildings, etc., all of which require more money invested in the farms and more training in how to use these improvements. Few farmers can supply all of the money needed from their own resources. Credit and its proper use, therefore, become a necessary element in the development of a healthy agriculture. An equally important element is guidance in how to use the improvements to increase production and income - - this is supervised credit.

The depression years of the early 1930's brought the problems of mismanagement of land and human resources to national attention. Poverty blighted thousands of rural communities. The family farm was in danger of destruction. President Roosevelt, in a memorable phrase, said "one third of the nation are ill-housed, ill-clothed, ill-fed." Into the fight to stem the tide of poverty and despair among rural families were born our predecessor agencies. The Federal Emergency Relief Administration was first in 1934. It set up a rural rehabilitation program, administered by the Virginia Rural Rehabilitation Corporation, to lend money to farmers for livestock and tools needed to make a living. On April 30, 1935, The Resettlement Administration replaced the state corporation which in turn was replaced by The Farm Security Administration in September, 1937.

The Farm Security Administration's aim was the rehabilitation of low-income farm families, rehabilitation instead of relief. This program expanded rapidly. Loans plus supervision was the new approach. Farm purchase authority was added in 1937 to provide ownership of land for tenants, sharecroppers and farm laborers. The essential purpose of these early programs has not changed with the years, but the "tools" have varied with the needs.

The Farmers Home Administration was organized November 1, 1946. To this agency was assigned all of the loan accounts, assets and liabilities of the preceding agencies. In addition, the loans made through the Emergency Seed and Feed Loan Division of the Farm Credit Administration were assigned to the Farmers Home Administration for servicing and collection.

This period of our history is now far behind us. Rural America has changed and is still changing drastically. Out of this era has grown a mixed economy of full-time farms, part-time farms and just plain rural residences in the country. There are still some very real problems in the farming picture today. The challenges we face may not be as severe as in the 1930's, but they are no less complex. In the last two years, this agency has been overhauled, modernized and broadened in its operations so that today the Farmers Home Administration can extend virtually all types of credit to individual farm families and other rural residents who are unable to obtain adequate credit from other sources to finance farming operations, to purchase farm land, to develop and improve the farm including buildings, individual and group housing, community water supplies and related needs including recreational enterprises.

Today, we are concerned not only with helping individual farm families to finance and improve their farming operations, but also with helping to strengthen the entire rural economy as a means of maintaining a sound and healthy agriculture.

As the only Federal agency in rural America whose program is designed exclusively to serve families in financial trouble, to give them new hope and a new chance for success, FHA now faces the greatest challenge in its history. It is dedicated to an unconditional war on poverty. It will not be a short or easy struggle.

PAST ACCOMPLISHMENTS OF PREDECESSOR AGENCIES

Emergency Crop and Seed Loan 1929 - 1946

Number of advances made	145,048
Amount loaned	\$14,039,941
Amount repaid - principal	12,679,064
Interest (\$538,288)	
Written off - principal and interest	1,355,239
Reduced to judgment	6,959
Percent of principal collections to principal loan advances	90.5%

Virginia Rural Rehabilitation Trust Corporation 7-1-35 - 8-31-37

Number of loans	12,500	<u>1/</u>
Amount loaned	\$ 5,811,022	
Amount repaid - principal	5,266,576	
Interest (\$559,351)		
Written off	519,696	
Reduced to judgment	12,956	
Percent of principal collections to principal loan advances	90.8%	

1/ Estimated - records not complete

Farm Security Administration 9-1-37 - 10-31-46

Number of loans	23,738
Amount loaned	\$10,251,947
Amount repaid - principal	9,152,657
Interest (\$1,185,932)	
Written off	1,103,556
Reduced to judgment	31,367
Percent of principal collections to principal loan advances	89.3%

Summary of Loan Activities - 1929 through October 31, 1946

Amount loaned	\$30,102,910
Repayments on principal advanced	27,098,297
Potential loss	\$ 3,004,613
Interest payments collected 1929 - 1946	2,283,571

WHY FARMERS HOME ADMINISTRATION?

FHA IS NEEDED

1. To help young farmers get established.
2. To help established farmers make adjustments.
3. To assist farmers in emergency situations.
4. To strengthen rural communities, socially and economically.
5. To develop and strengthen family farms.
6. To help certain elderly farmers make adjustments.
7. To strengthen markets for urban products.
8. To ease the adjustment of farmers who do not wish to remain in agriculture.
9. To keep people off urban relief rolls.
10. To produce food efficiently.
11. To help farmers switch from crops in long supply to those in short supply.
12. To help conserve soil and water chiefly through land development, water supply, irrigation and watershed projects.
13. To help farm families have suitable homes, necessary farm buildings and live a better life.
14. To help children in farm families having low incomes and equities to grow into stronger, healthier and better citizens.
15. To help farm families and small non-farm families in depressed areas to a higher standard of living.
16. To provide supervised credit, technical advice and assistance.
17. To provide credit counseling.
18. To supplement credit from other lenders in situations impractical for them.
19. To help bolster the low income farmers' morale.
20. Principally and briefly, to aid the needy family farmer—the backbone of the nation.

FARMERS HOME ADMINISTRATION
November 1, 1946 To Date

A farmer unable to obtain needed credit from regular lenders may apply for FHA's supervised credit through the local Farmers Home Administration county office. If the applicant for a loan is found eligible by the county committee, the county supervisor assists him in working out a farm and home plan to make the best use of land, labor, livestock and equipment. This plan will be a guide for the farmer and his family to follow in operating their farm and determining the soundness of the proposed farming operation. It will show the crops and livestock he expects to produce for sale and home use; practices to follow in caring for land, crops and livestock; proposed expenditures for livestock and equipment for running his farm and home; and the expected income. Before a loan is made, it must be reasonably clear that the borrower will have sufficient income from farming and other sources to meet farm operating and family living expenses and to repay his loan and other debts. The FHA supervisor also provides on-the-farm assistance with farm and money management problems during the first few years of the loan.

Operating loans - - those made to buy livestock and equipment and to finance annual farm expenses such as fertilizer, seed and insecticides. They are secured by a first mortgage on the crops produced, as well as on livestock and equipment purchased or re-financed with loan funds.

1. Loans to operators of family size units:

Number of loans made	13,103
Amount loaned	\$26,009,640
Amount principal repaid	20,800,681
Interest collected	2,081,408

Summary of active accounts:

	<u>Number</u>	<u>Loan Balance</u>
Loans outstanding	1,023	\$4,693,661
Collection-only accounts	154	267,765
Written off	493	231,574
Judgment accounts	12	16,057
Estimated potential loss		\$500,441

2. Operating loans to operators of units classed as Less Than a Family Farming Operation:

Number of loans made	1,185
Amount loaned	\$2,309,688
Amount repaid - principal	1,307,906
Interest collected	114,885

Summary of active accounts:

	<u>Number</u>	<u>Loan Balance</u>
Loans outstanding	490	\$992,231
Collection-only accounts	11	9,245
Written off	2	303
Judgment accounts	0	
Estimated loss		9,548

FARM OWNERSHIP LOAN PROGRAM

The Farm Ownership loan program was initiated in 1937. Its objective is to assist farmers to become owners of their land. Loans are made to purchase, enlarge and develop farm land, to repair, remodel and construct farm dwellings and service buildings, irrigation, drainage, recreational facilities and other basic land improvements including forest management practices.

Not all applicants can be owners of adequate family farms. Some farmers who own small tracts of land are assisted to purchase additional land and thus balance their needs. Others, whose small units will not support the family, are assisted through planning and development to supplement the farm income with off-farm income. Refinancing of debts against the land, within their ability to repay, is a part of sound planning.

Resume Of Farm Ownership Program 1937 Through 3-31-64

Loan Activity:

Number of loans made	2,049
Amount loaned	\$21,188,917
Repaid on advances (to 3-31-64)	
Principal	8,875,926
Interest	4,221,657
Unpaid principal outstanding	12,257,601
Write-off or potential loss	
Principal	\$55,390
Interest	13,343
	68,733

Payments In Full 1938 through 3-31-64

Number paid in full	1,108
Amount loaned and repaid	\$7,338,399
Interest paid	1,580,575

Of the 1108 borrowers who have paid their loans in full, 741 remained on the farm as owner-operators.

Schedule Status of Borrowers With Unpaid Balances - 3-31-64

<u>Payments Made</u>	<u>Number</u>
On schedule	286
Ahead of schedule	409
Behind schedule	<u>224</u>
Number active borrowers	919

Trend of Scheduled Repayments Made - 1961 through 1964

<u>Year</u>	<u>Percent On Schedule</u>	<u>Percent Ahead of Schedule</u>	<u>Percent Behind Schedule</u>
1964	31	45	24
1963	36	47	17
1962	32	47	21
1961	29	46	25

Regular Payments Made as Percent Of The Scheduled Annual Installment By Years Ending March 31.

1964	-	94%
1963	-	104%
1962	-	103%
1961	-	105%

Methods Of Paying In Full

Farm income primarily	584	
Refinancing outside of program	168	
Sale of farm	312	
By private sale	178	
By transfer	91	
By repossession	43	
Repossessions		
Voluntary conveyance to U. S. Government and resold by U. S. Government		15
Bid in at foreclosure sale and resold by U. S. Government		25
Bid in at foreclosure sale and not resold by March 31, 1964		<u>3</u>
Total		43

RURAL HOUSING LOANS

Loans for rural housing purposes have been available to eligible farm owners and owners of non-farm tracts in rural areas and small rural communities with populations of not more than 2500 since 1949, except for a short period of time in the mid-fifties. These funds may be used only to finance the construction or repair of dwellings and farm service buildings that are adequate but modest in size, design and cost. The typical rural residence being financed by FHA has an average living space of 1097 square feet costing \$10,613. This space provides three bedrooms, bath, kitchen and a living-dining room combination.

Loans are also made to elderly people, 62 years of age and over, who live in rural areas to buy previously occupied housing as well as build or improve their homes. Building sites may also be purchased for such applicants. Elderly citizens without adequate repayment ability may use co-signers to assure loan payments.

Each loan is scheduled for repayment in accordance with the borrower's ability to repay over a period not exceeding 33 years. The interest rate is 4 percent.

A summary of rural housing loan activity follows:

Number of loans made	1,457
Amount loaned	\$12,728,687
Unpaid balance December 31, 1963	8,589,774
Number of borrowers who have paid in full	234
Amount loaned	1,331,866
Liquidations - number of accounts	11
Amount loaned	82,771
Outstanding at the time of liquidation	
Principal	\$77,094
Interest	2,828
	79,922
Sales price of farm or amount credited to accounts	87,452 <u>1/</u>

Method of liquidation

Transfer - 9 accounts (paid in full)

Foreclosure - public sale - 2 accounts \$23,087

1/ One unit bid in by U. S. Government at sale - later sold by sealed bids at a net profit of \$9,027 under unusual circumstances not foreseen or known at the time the property was acquired. This transaction gives a net profit of \$7,530 for the Rural Housing program.

Gross Income Levels Of Housing Borrowers

Under \$4000 -	19.2%
4000 - 5999	42.5%
6000 - 7999	25.5%
8000 - 9999	8.1%
10000 and over	4.7%

Rural Housing loans are not made to non-farmers with gross incomes in excess of \$7,000 without the State Director's consent.

Size of Homes

1200 sq. ft. and under	70.0%
1200 - 1400 sq. ft.	27.7%
Over 1400 sq. ft.	2.3%

EMERGENCY LOANS

Emergency loans are made to eligible farmers in designated areas where natural disasters such as floods and droughts have brought about a temporary need for credit not available from other sources. Loans may be made for the purchase of feed, seed, fertilizer, replacement equipment, livestock and for other items needed to maintain normal operations. Loans may not be made to refinance debts or compensate applicants for their losses. Loans may also be made to eligible oyster planters.

Emergency loans may also be made outside of designated areas to farmers who have been affected by disaster when the disaster affects only one or a few farms.

Loans are scheduled for repayment when income from the crop or livestock financed is normally received. The interest rate is 3 percent.

Number of loans made	1,199
Amount loaned	\$6,771,632
Amount principal repaid	5,551,645
Interest collected	143,259

Summary of Active Emergency Accounts

	<u>Number</u>	<u>Loan Balance</u>
Loans outstanding	525	\$1,103,461
Collection-only accounts	23	48,930 <u>1/</u>
Written off	19	33,860 <u>1/</u>
Judgment accounts	2	33,733 <u>1/</u>

<u>1/</u> Estimated potential loss	\$116,523
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Percent of collections to principal maturities	96.6%
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LOANS TO RURAL GROUPS

The Farmers Home Administration makes loans to both farm and non-farm rural groups to develop water systems for irrigation, household and livestock use, to drain farmland, carry out soil conservation practices, and shifts in land use to grassland, forestry and recreational enterprises. These loans are secured by a mortgage on the group's facilities or by bonds or notes pledging taxes, assessments or revenues. Rural groups must be non-profit organizations which have legal capacity through a state charter to borrow money, pledge collateral for loans and to operate the facilities or services to be installed with the loan funds. Eligible applicants may be small towns under 2500 population, rural political sub-divisions such as "water authorities" and "sanitary districts."

The 1958 census report disclosed that more than 600 small Virginia towns and communities of 100 or more residents are without a safe or adequate water supply. The interest of rural groups and communities in providing such facilities is increasing throughout the state. We are actively assisting four communities in developing water facilities.

Four additional communities have received loans which were used to shift agricultural land to recreational projects. Applications of several other groups for shifts in land use are in process.

WATERSHED LOANS

Local organizations can obtain watershed loans to plan and to carry out plans to protect and develop the land and water resources in small watersheds. The loans help these organizations pay the cost allotted to them in approved watershed work plans.

Eligible local organizations may include cities, towns, water authorities, sanitary districts, non-profit corporations and others.

We are currently working with the Town of Luray and expect to assist it with its part of the cost of the watershed project which it is sponsoring.

The Towns of Mineral and Louisa are sponsoring a project and have indicated an interest in financial assistance to pay their share of the project costs.

Interest rates for watershed loans are announced on July 1st, of each fiscal year. The rate is the same as the rate being paid by the United States for money borrowed. The rate for the 1964-65 fiscal year is 3.137 percent.

CURRENT LOAN ACTIVITY

The following is a summary of the current loan activity as of June 30, 1964:

<u>Type of Loan</u>	<u>Number</u>	<u>Amount Outstanding</u>
Operating	1,543	\$ 5,717,633
Emergency	523	1,101,425
Rural Housing	1,230	8,589,774
Farm Ownership	1,010	12,257,601
Soil and Water	<u>14</u>	<u>420,154</u>
Total	4,320	\$29,086,587

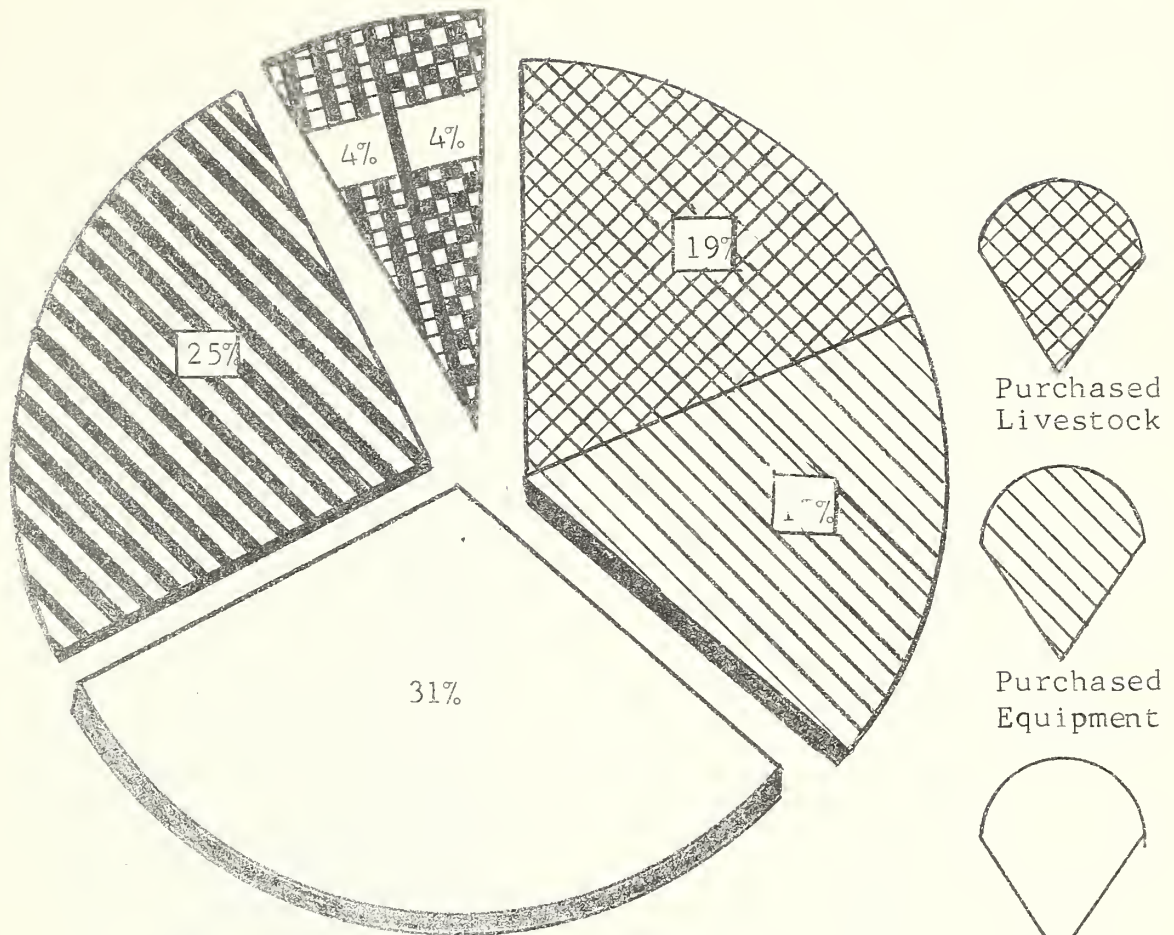
Loans approved July 1, 1963 through June 30, 1964

<u>Type of Loan</u>	<u>Number</u>	<u>Amount Loaned</u>
Operating	809	\$ 2,002,690
Emergency	600	1,150,770
Rural Housing	261	2,549,300
Farm Ownership	93	1,231,990
Soil and Water	<u>4</u>	<u>397,190</u>
Total fiscal 1964	1,766	\$ 7,331,940

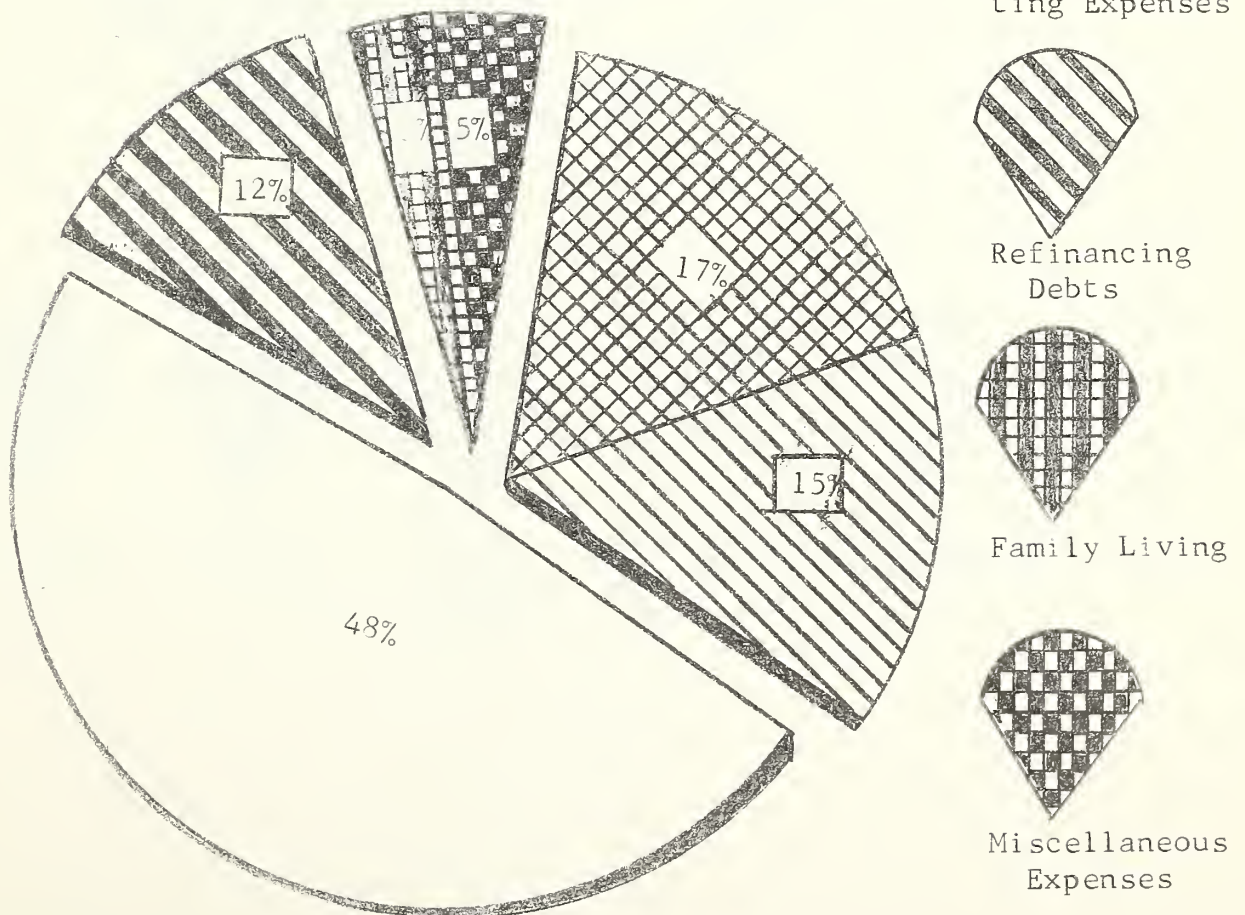
PLANNED USE OF OPERATING LOAN FUNDS

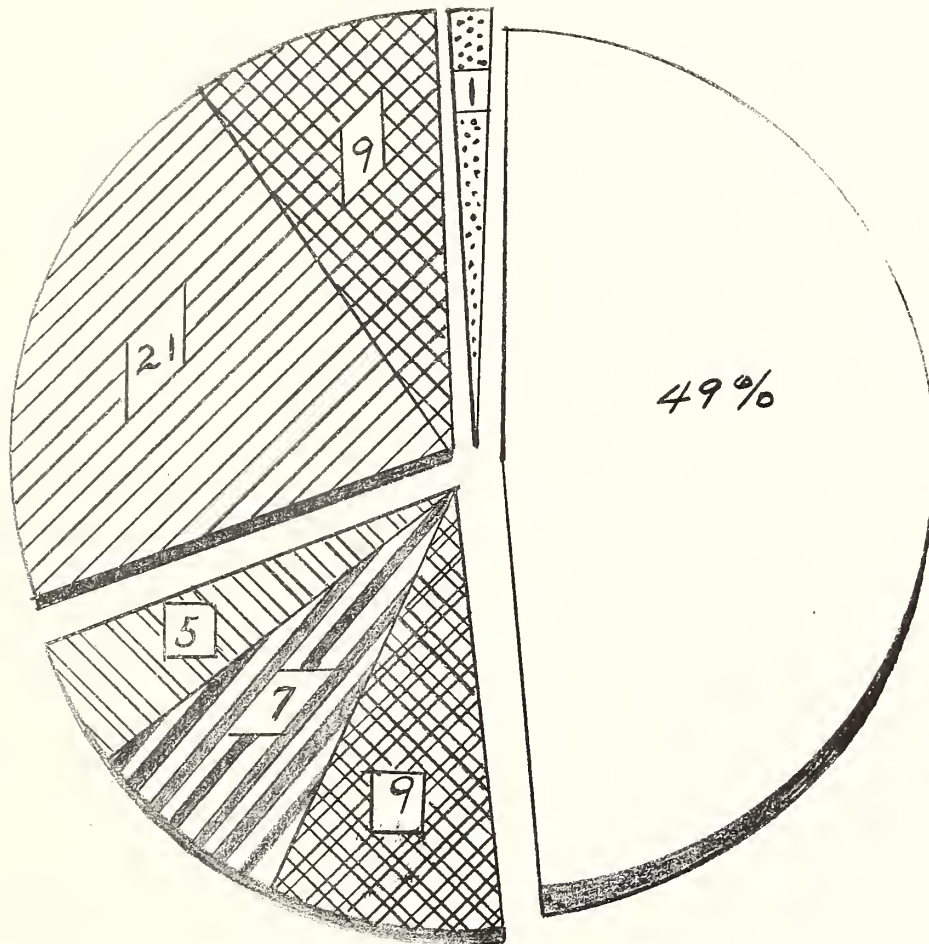
FISCAL YEAR 1964

INITIAL LOANS

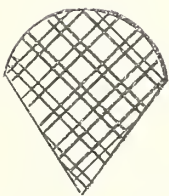


SUBSEQUENT LOANS

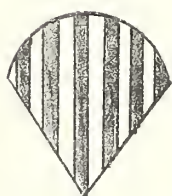




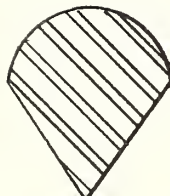
Land
Purchase



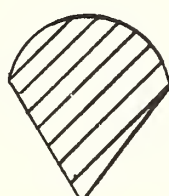
Dwelling
Modernization



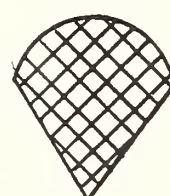
Service
Bldgs.



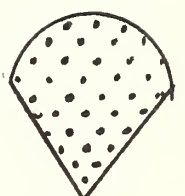
Land
Improve-
ments



Refinancing
Real Estate
Debts



Refinancing
Other Debts



Fees

Family Progress Evaluation

Annually we measure the progress made by families who have received supervision through the use of operating loan funds. Each fiscal year all borrowers who pay in full are requested to furnish certain information which, when compared with the same information for the year before they secured their operating loan, gives a clear measure of change. 131 records for the fiscal year June 30, 1963, gave the following measure of progress.

Average age of borrower	40 years
Total borrowed (5 years on program)	\$ 6,908
Interest paid per borrower	704

Farming Operation

<u>Size of Business</u>	<u>Year Before Loan</u>	<u>Last Year Reported</u>
Total acreage operated	172	204
Crop acres	90	102

Assets

	<u>Year Before Loan</u>	<u>Last Year Reported</u>
Livestock	1,947	4,381
Equipment	2,729	4,318

Liabilities

	<u>Year Before Loan</u>	<u>Last Year Reported</u>
Debts	6,212	10,475
Debts other than real estate	1,617	2,773

Income and Expense Pattern

	<u>Year Before Loan</u>	<u>Last Year Reported</u>
Cash farm income	4,205	8,009
Cash farm operating expense	2,370	5,190
Net farm income	1,835	2,819
Cash family living expense	1,177	1,539
Cash farm income less farm operating and family living expenses	658	1,280
Off-farm income	539	885
Net income - return to labor, management and investment	1,197	2,165
Value of products produced for home use	NA	655

Tenancy - Ownership Status

	<u>Year Before Loan</u>	<u>Last Year Reported</u>
Laborers	6%	0%
Tenants and sharecroppers	37%	24%
Owner and part owner	57%	76%

To measure the progress of Farm Ownership borrowers, a sampling is made annually of borrowers who have been on the program for five years since receiving their loans. The data recorded below are based on records of 89 borrowers who received their loans in 1957 and were still indebted and farming in the 1962 crop year. It compares the farm operations for the crop year before receiving the loan and for the 1962 crop year.

Number loans made 1-1-57 through 12-31-57	89
Paid in full - retaining ownership	6
Paid in full - relinquished ownership	18
Active account - full-time farm operation	56
Active account - less than full-time operation	9
Average age of borrower - 1957	37

Farming Operation

<u>Size of Business</u>	<u>Year Before Loan</u>	<u>1962</u>
Total acres operated	194	231
Crop acres	121	154

Assets

Value livestock	\$4,037	\$9,692
Value equipment	4,349	7,029

Liabilities

Total debts	9,688	28,077
Debts other than real estate	4,272	9,069

Net Worth

Change in net worth	13,334	19,402
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Income and Expense Pattern

	<u>Year Before Loan</u>	<u>1962</u>
Cash farm income	\$6,699	\$13,048
Cash farm operating expenses	4,103	9,296
Net cash farm income	2,596	3,752
Cash family living expense	1,497	2,022
Cash farm income less farm operating and family living expense	1,099	1,730
Off-farm income	1,018	1,456
Net income - return to labor, management and investment	2,117	3,186
Value of products produced on farm for home use	NA	762

ECONOMIC OPPORTUNITY LEGISLATION

In the latest phase of the nation's effort to conquer poverty, the agency of which you and I are a part will be called upon to take a central role. We will establish many of the beachheads and carry the burdens of many major battles. We are not, however, newcomers in this field. We have long been identified with the families who need help the most. We, with our established manpower at the grass-roots, our experience, and the spirit of service of our county workers including thousands of present and former county FHA committeemen, will eagerly assume the responsibility of waging an unrelenting war on the cause of rural poverty.

We have identified our target. We know the causes of rural poverty. We know it is caused by one, or a combination of the following conditions: (1) land resources inadequate to permit the efficient use of available family labor; (2) inadequate operating capital; (3) inadequate managerial ability; or (4) inadequate incentive to correct whatever of these deficiencies exists or a lack of understanding that such correction is possible.

Our weapons for this battle are tested and proved; counseling, guidance and tutoring with individual farm families revealing adjustments in operations which farmers and supervisors agree are needed, plus credit designed to finance the needed adjustments.

All of FHA's work today with low income families sets the stage for the considerably greater effort we must put forth tomorrow. Our objective; to improve the lot, the prospects and the opportunities of low income rural families. How?

By helping a man buy more land or increase his efficiency,

By counseling a young farm boy about how to get to college,

By encouraging the full participation of rural youths in work training programs and the new job corps,

By extension of credit to small cooperatives serving low-income rural people, cooperatives that provide marketing, processing and other needed services,

By active participation in county or area Rural Development Committees or community action programs,

By financing a community water system for rural people,

By increasing income through development of the farm's recreational potential,

By association loans to groups of small farmers to establish grazing boundaries to provide a larger volume,

By increasing income through the purchase of and establishment of forest projects to provide labor income in off-season labor periods, and

By supplying a little "furnish" money for a middle-aged farmer whose family doesn't have much, but needs something to live on until their small crop is in.

These and others will be used to help some families avoid entry into poverty, help others exit from poverty, and to the extent possible ease the problems of those so handicapped that they simply cannot avoid even a modified form of poverty. This latter group will include the aged, those with limited education, physical disabilities, and similar characteristics.

There will always be some Americans who are better off than others. But it need not follow that "the poor are always with us." Poverty is costly not only to the poor, but to the whole society. Its ugly by-products include ignorance, disease, delinquency, crime, irresponsibility, immorality, and indifference. Poverty is no purely private or local concern. It is a social and national problem.

The overriding objective of the Economic Opportunity Act is to improve the quality of life of individual human beings. For poverty deprives the individual not only of material comforts but of human dignity and fulfillment.

There is a long road ahead. The war on poverty is a tremendous undertaking. It will require our greatest effort to overcome it.

Some small measure of the size of the problem to be faced is found in the following tables on Virginia's rural population. These are 1959 census facts and will probably change some with the completion of the present census now in process. It is doubtful, however, if the problem will be lessened.

VIRGINIA'S POPULATION
4 MILLION PEOPLE IN 1959
THESE 4 MILLION ARE IN 1,250,720 FAMILIES

1,250,720

URBAN - 56%	RURAL - 44%
763,099 (33% below \$3,000)	487,621 (52.7% below \$3,000)
AVG. SIZE - 2.9 PERSONS	AVG. SIZE - 3.6 PERSONS

	NON-FARM FAMILIES	FARM FAMILIES
Over \$3,000 Income	214,228 - 56.1%	45,335 - 42.7%
\$3,000 - \$2,000	49,445 - 13.0%	15,270 - 14.4%
\$2,000 - \$1,000	51,147 - 13.5%	20,629 - 19.4%
\$1,000 or less	66,506 - 17.4%	25,051 - 23.5%
Total	381,326 - 78.0%	106,285 - 22.0%

CLASSIFICATION OF FARMS BY TYPES OF FARMS AND OPERATORS

106,285 VIRGINIA FARM FAMILIES
(INCLUDING 8,666 HIRED LABORERS)

97,619 FARM OPERATORS

COMMERCIAL	PART-TIME	PART-TIME AND RETIREMENT	ABNORMAL
49,527	30,820	17,220	52
50.7%	31.6%	17.6%	-

97,619 FARM OPERATORS

FULL OWNERS	PART OWNERS	MANAGERS	ALL TENANTS
64,647	18,312	596	14,064
WHITE	WHITE	WHITE	WHITE
NON-WHITE	NON-WHITE	NON-WHITE	NON-WHITE
58,061	15,203	566	8,879
6,586	3,109	30	5,185

VIRGINIA FARM TENANCY STATUS (1959)

ALL TENANTS - 14,064

PERCENT ALL TENANTS - 14.4%

<u>CLASSIFICATION</u>	<u>TOTAL</u>	<u>WHITE</u>	<u>NON-WHITE</u>
Cash tenants	1,247	1,027	220
Share-cash tenants	419	349	70
Share tenants	4,675	3,426	1,250
Croppers	5,515	2,370	3,145
Others - unspecified	2,207	1,707	500
Percent tenancy	14.4%	10.7%	34.8%

AGE GROUPING OF FARM OPERATORS - (1959)

UNDER 25 years	1,189	1.2%
25 to 34 years	8,179	8.4%
35 to 44 years	18,239	18.8%
45 to 54 years	24,077	25.0%
55 to 64 years	22,538	23.3%
65 or more years	22,623	23.3%

AVERAGE - 53.2 Years of age

SUMMARY

During the past three decades Virginia farm families have received \$99,531,000 in farm credit from the Farmers Home Administration and its predecessor agencies when they could not qualify for credit from local lenders. This report shows that of the \$69,008,564 loaned in current programs to help low-income farmers, less than five-tenths of one percent has been written off as loss. The Farmers Home Administration has proven that low-income farmers are excellent credit risks when the credit is supplemented with farm and home management advice, supervision, record analysis and the individual initiative and desire on the part of our field personnel to be of service.

The FHA staff consists of 74 full-time employees. Twenty-eight field offices serve 97 agricultural counties. The cost to the Government of administering the Virginia program during the 1964 fiscal year was approximately \$640,000. During the same period, interest collected on loans outstanding was estimated to be \$1,164,000. (\$29,086,587 principal outstanding X four percent average interest) If this interest income was prorated to pay administrative costs and the small amount of anticipated losses incurred during fiscal 1964, there would remain a half a million to pay interest on the funds made available to Virginia farmers. If the loan volume continues to increase at the present rate, the interest earned will approach or equal gross costs in the near future.

It should be recognized that the benefits of this credit service should not be measured in dollars collected alone. FHA provides much more than just credit. When the total social and educational benefits of supervised credit to rural families are considered, the dollar cost is insignificant.

The rise in the standard of living of successful families, the increase in their productive capacities, their greater contribution as taxpaying supporters of schools, roads, other community facilities, and the economic vigor they have pumped into their rural communities far exceed in value the administrative costs.

The basic accomplishments of the supervised credit program lies in the progress made by the farm families who have used this service to acquire the skills and the resources needed for successful farming. The entire agricultural credit system has been strengthened as successful borrowers move back to commercial

credit sources and as other lenders begin to use supervised credit as a yardstick to gauge the effectiveness of their own operators.

We are proud to have a part in strengthening the position of the family farm and through them the entire agricultural economy of the nation. Much of our program's success is due to the dedicated service and wise advice given by our state and county committeemen throughout the years. Each individual effort, given unselfishly and frequently at personal inconvenience, has built the soundest foundation for our program. To our state and county committeemen, past and present, this report is substantial proof of a job well done.

We are always seeking ways to improve our operations. We will welcome any suggestions from your review of this report.



